
This pamphlet provides a summary of GNMA's Mortgage-Backed Securities programs for multifamily mortgages. It is designed to help lenders, investors, securities dealers and others considering participation in the programs. However, as it is only a summary, those who decide to participate in these programs should refer to GNMA's Mortgage-Backed Securities Guide (Handbook GNMA 5500.1) for more detailed information about the programs.

Please note that the information contained herein is accurate on the date of publication of this pamphlet. Periodic changes in guidelines and requirements are made through All Participants Memoranda and Guide Changes. Please consult the proper GNMA Guide for the most accurate up to date information.

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An Introduction

The Government National Mortgage Association, also known as "GNMA" or "Ginnie Mae," is a United States Government corporation. It was created by Congress in 1968 through Federal legislation.

GNMA's purpose as a Federal corporation is to support the government's housing objectives. It does this through its Mortgage-Backed Securities program and Mortgage Finance programs. GNMA facilitates secondary market activities for single and multi-family mortgages and helps to promote the availability of housing for low and moderate income people.

The largest of GNMA's program responsibilities are the Mortgage-Backed Securities (MBS) programs. Through these programs, GNMA guarantees privately issued securities backed by pools of government sponsored (FHA or VA) mortgages. Holders of the securities receive a monthly pass-through of principal and interest payments due on the pooled mortgages. The GNMA guaranty, which carries the full faith and credit of the United States, assures securities holders of receiving timely payment of scheduled monthly principal and interest as well as any prepayments on the underlying mortgages.

Since the first GNMA mortgage-backed securities were introduced in 1970, more than \$700 billion have been guaranteed by the Association. These securities represent financing for over 13.7 million housing units.

GNMA is credited with the wide acceptance and growth of this type of financing. Its securities are the most widely held mortgage-backed securities in the world.

1, in so doing, they expand available financing apartments and other multifamily housing.

These multifamily MBS programs parallel GNMA's mortgage-backed securities programs for single family mortgages. GNMA guarantees privately issued securities backed by government insured (FHA) mortgages. The GNMA guaranty warrants the performance of the issuer and assures securities holders of receiving all monthly payments, due under the terms of the securities, in a timely manner.

These securities provide lenders with a means of finding multifamily mortgages in a highly structured and liquid market, while retaining the servicing rights. At the same time, the securities provide investors with an investment that offers safety of principal, liquidity and high yield. More than \$16.8 billion of mortgage backed securities, backed by multifamily mortgages, have been guaranteed by the Association. It is anticipated that this form of construction and permanent financing for project mortgages will increase substantially in the future.

Who Can Participate

All GNMA approved issuers with sufficient financial capacity and experience in servicing multifamily mortgages are eligible to issue project and construction loan securities. Specific eligibility requirements are defined in Chapter 2 of GNMA's Mortgage-backed Securities Guide (Handbook GNMA 500.1).

Eligible Mortgages

Most multifamily mortgages originated through an FHA program are eligible for pooling as construction and/or project loan securities. A mortgage must satisfy the following basic requirements to be eligible:

The mortgage must be **insured or coinsured by FHA.**

- The unpaid principal balance of the mortgage must be at least \$500,000. An exception is made if the mortgage or mortgages are purchased directly from GNMA at an auction.
- The mortgage, with respect to principal and interest payments and all required escrows, is current.
- The mortgage and securities are serviced by the lender/issuer. A sub-contract servicer cannot be used.
- A mortgage must have a scheduled start of amortization no more than 24 months prior to the date on which GNMA issues its commitment to guarantee the securities.
- A mortgage may have a level or non-level schedule of payments throughout its term.

How the Multifamily MBS Programs Work

Step 1: A mortgage lender applies to GNMA for approval to become an issuer of construction and project loan mortgage-backed securities. In addition to the standard technical and financial requirements needed to become a GNMA "single-family" issuer, a lender must demonstrate experience in servicing multifamily mortgages.

Step 2: The issuer/lender originates an FHA insured or coinsured multifamily mortgage or purchases a seasoned FHA insured mortgage directly from GNMA at an auction.

Step 3: The approved issuer applies to GNMA for a commitment for the guaranty of a specific securities issuance.

Step 4: The mortgage or mortgages are assembled by the issuer into a pool. A pool typically consists of one project loan.

Step 5: The issuer submits mortgage documents, mortgage or mortgages in a pool, to institution which serves as a doc-

Step 6: GNMA reviews required pool documentation from the issuer and authorizes its transfer agent, Chemical Bank, to prepare and deliver the securities to investors.

Step 7: The issuer is fully responsible for servicing the underlying mortgages as well as the initial marketing and administration of the securities.

Step 8: The issuer pays GNMA a guaranty fee and pays a fee for servicing the mortgages and administering the securities.

Pass-Through Securities

These securities are modified pass-through securities. They provide for securities holders to receive monthly pass-throughs (payments) of interest, at the rate shown on the securities, plus principal as scheduled on the pooled mortgages, whether or not such payments are made by the borrowers. All of these payments are guaranteed by GNMA.

These securities bear a fixed interest rate which is .25 percent or .45 percent below the interest rate on the pooled mortgages. The .45 percentage is applied only to securities where the underlying mortgages have no insurance benefits payable in debentures.

The spread between the face interest rate on the securities and the interest rate on the mortgages is determined by the issuer and used as compensation for servicing and to pay GNMA a guaranty fee. The amount of the guaranty fee is determined by the original face amount of the mortgage and whether the pooled mortgages provide for insurance benefits in debentures.

Schedule of Fees

Project Loan-Pool Balance	GNMA	Issuer	
	Guaranty Fee	Servicing Fee	
(In Millions of Dollars)	(Annual Rate)		
	Cash Loans	Debenture Loans	
Up to 1.99	.10%	.30%	.15%
\$2 to 2.99	.13%	.33%	.12%
\$3 to 3.99	.15%	.35%	.10%
\$4 and over	.18%	.38%	.07%

GNMA's Guaranty

GNMA guarantees, with the full faith and credit of the United States, the timely payment of principal and interest to the registered holders of the securities. GNMA's guaranty warrants the performance of the issuer and assures the investor of receiving all scheduled monthly payments, as well as prepayments and early recoveries of principal, in a timely manner.

A Profile Multifamily Mortgage-Backed Securities

Issuer:	GNMA approved mortgage lender
Issue Type:	GNMA I
Underlying Mortgages:	FHA insured or coinsured multi-family mortgages
Pool Types:	Construction Loan Securities (CL) Project Loan Securities (PL), and Non-Level Payment Project Loan Securities (PN)
Securities Interest Rate:	Fixed; at .25 or .45 percent below the interest rate of the underlying mortgage(s)
Guaranty:	Full and timely payment of principal and interest, plus prepayments
Guarantor:	GNMA (full faith and credit of the United States)
Principal and Interest:	Paid monthly to securities holders
Maturity:	Varies, typically 40 years
Minimum Certificate Size:	\$25,000 (may be less for aged securities)
Transfer Agent:	Chemical Bank

Information Sources

Additional information about GNMA program available by writing or calling the Government National Mortgage Association.

Government National Mortgage Association
451 Seventh Street, S.W.
Washington, D.C. 20410-9000

Telephone Number: (202) 708-0926

For specific information about the financing of
family mortgages, direct your requests to:

Office of Asset Management
Room 6204
Telephone Number (202) 708-4141

or

Office of Mortgage-Backed Securities
Room 6224
Telephone Number (202) 708-2772

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